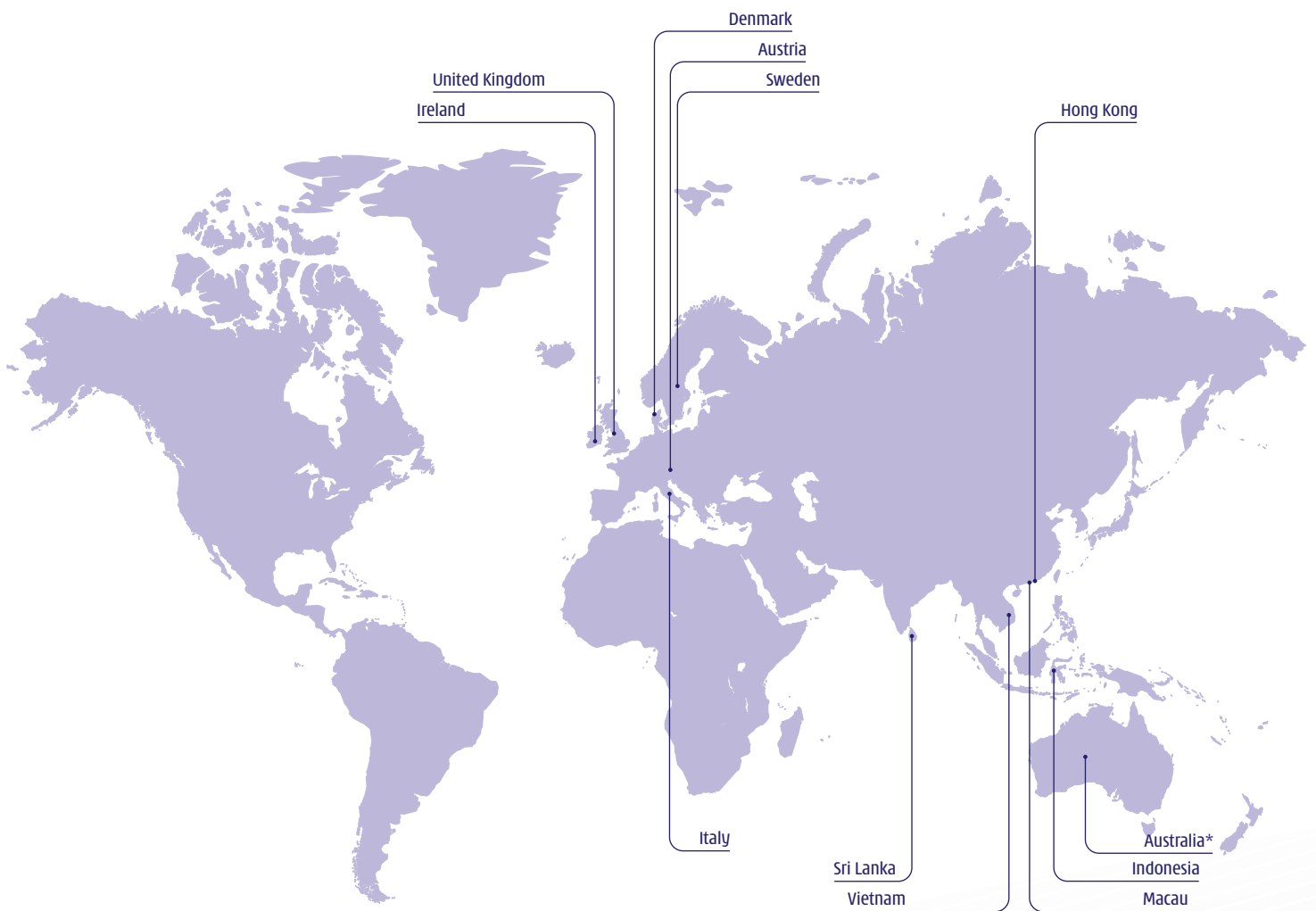


Operations Review



3 UK rolls out concept stores to draw customers.

Telecommunications



* Hutchison Telecommunications (Australia) Limited ("HTAL"), share of results of Vodafone Hutchison Australia Pty Limited ("VHA"), was included in Finance & Investments and Others division.



1. Wind Tre joins a partnership with ZTE and Open Fiber to build Europe's first 5G network.
2. 3 Hong Kong opens its flagship store "3LIVE" in Causeway Bay.
3. 3 Denmark's 3LikeHome roaming plan is extended to 53 countries.



4. 3 Sweden has been ranked one of the best places to work.

5. 3 Ireland is the only operator to secure uniform national 5G spectrum across Ireland.

Operations Review – Telecommunications

The Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, and Hutchison Asia Telecommunications ("HAT"). 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, with the fixed operation fully disposed of in October 2017. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

Group Performance

3 Group Europe

	2017 HK\$ million	2016 HK\$ million	Change	Change in Local Currency
Total Revenue	70,734	62,415	+13%	+13%
- Net customer service revenue	56,002	47,877	+17%	+16%
- Handset revenue	11,295	11,446	-1%	
- Other revenue	3,437	3,092	+11%	
Net Customer Service Margin ⁽¹⁾	46,756	40,121	+17%	+16%
<i>Net customer service margin %</i>	84%	84%		
Other Margin	1,646	1,632	+1%	
Total CACs	(16,296)	(17,354)	+6%	
Less: Handset revenue	11,295	11,446	-1%	
Total CACs (net of handset revenue)	(5,001)	(5,908)	+15%	
Operating Expenses	(19,064)	(16,901)	-13%	
<i>Opex as a % of net customer service margin</i>	41%	42%		
EBITDA	24,337	18,944	+28%	+27%
<i>EBITDA Margin % ⁽²⁾</i>	41%	37%		
Depreciation & Amortisation	(7,770)	(6,106)	-27%	
EBIT	16,567	12,838	+29%	+27%

Note 1: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 2: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

3 Group Europe continued to contribute growth to the Group in 2017 and was the largest growth contributor to the Group's earnings in the year. The division's registered customer base decreased by 1% to 52.3 million, while the active customer base stood at 44.8 million as at 31 December 2017, a 3% drop against last year due to alignment of inactive customer definitions in Italy following the merger and intense competition during the year for lower value customers in Wind Tre's base.

The proportion of contract customers as a percentage of the registered customer base increased from 37% in 2016 to 39% at 31 December 2017. Margin generated by contract customers accounted for approximately 66% of overall net customer service margin, a decrease from 79% in 2016 due to the higher contribution of the non-contract customers in the Wind Tre joint venture. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base was steady at 1.6% for the year.

As a result of the full year accretive contribution of the Wind Tre joint venture, net customer service revenue and net customer service margin in local currencies both increased by 16% compared to last year. However, 3 Group Europe's net ARPU and net AMPU decreased by 7% and 6% to €15.25 and €12.98 respectively compared to 2016, primarily due to the higher proportion of non-contract customers after the Italian merger.

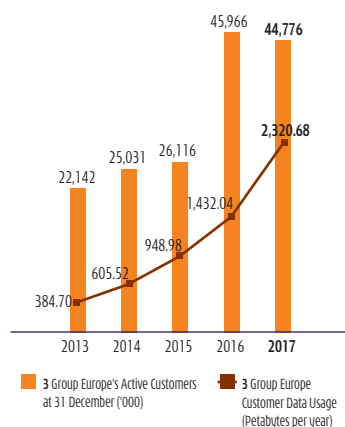
Total data usage increased 62% compared to last year to approximately 2,321 petabytes in 2017. Data usage per active customer was approximately 53.8 gigabytes per user in 2017 compared to 51.0 gigabytes per user in 2016.

Total CACs, net of handset revenue in contract bundled plans, totalled HK\$5,001 million in 2017, 15% lower than 2016, while operating expenses increased 13% to HK\$19,064 million from increased spending on IT system transformation and digitalisation.

The EBITDA and EBIT growth reflected the accretive contribution from the Wind Tre joint venture, improved net customer service margins, disciplined spending on customer acquisition costs and continued realisation of post-merger cost synergies in 3 Ireland, as well as increased spending on digital transformation to build a more agile, flexible and sustainable operating model to cater for the future.

In May 2017, 3 UK completed the acquisition of UK Broadband (“UKB”) for a total consideration of approximately £300 million. UKB provides wireless home and business broadband services in Central London and Swindon, and has spectrum holdings in the 3.4GHz and 3.6 to 3.8GHz bandwidths. In November 2017, 3 Austria completed the acquisition of Tele2, a fixed-network provider in Austria, for a total consideration of approximately €100 million.

3 Group Europe's Active Customers and Data Usage



3 Group Europe - Results by operations

In million	UK GBP		Italy ⁽³⁾ EURO	
	2017	2016	2017 Wind Tre (50%)	2016 Wind Tre & 3 Italy
Total Revenue	2,425	2,276	2,734	2,042
<i>% change</i>	+7%		+34%	
- Net Customer Service Revenue	1,636	1,599	2,590	1,742
<i>% change</i>	+2%		+49%	
- Handset Revenue	622	531	105	261
- Other Revenue	167	146	39	39
Net Customer Service Margin⁽⁴⁾	1,427	1,399	2,061	1,379
<i>% change</i>	+2%		+49%	
<i>Net Customer Service Margin %</i>	87%	87%	80%	79%
Other margin	52	35	32	33
TOTAL CACS	(848)	(751)	(217)	(489)
Less: Handset Revenue	622	531	105	261
Total CACS (net of handset revenue)	(226)	(220)	(112)	(228)
Operating Expenses	(551)	(495)	(876)	(696)
<i>Opex as a % of net customer service margin</i>	39%	35%	43%	51%
EBITDA	702	719	1,105	488
<i>% change</i>	-2%		+126%	
<i>EBITDA margin %⁽⁵⁾</i>	39%	41%	42%	27%
Depreciation & Amortisation	(265)	(223)	(298)	(165)
EBIT	437	496	807	323
<i>% change</i>	-12%		+150%	
			Wind Tre (50%)	
Capex (excluding licence) ⁽⁶⁾	(459)	(352)	(596)	
EBITDA less Capex ⁽⁶⁾	243	367	509	
Licence ⁽⁷⁾	(2)	–	–	

Note 3: 3 Group Europe 2017 includes 50% share of Wind Tre's results, of which fixed line business revenue was €542 million and EBITDA was €193 million. 2016 includes approximately ten months results from January to October 2016 of 3 Italy as well as the Group's 50% share of approximately two months results from November to December 2016 of Wind Tre, of which revenue and EBITDA of fixed line business amounted to €94 million and €38 million respectively. 3 Group Europe 2017 Capex and EBITDA less Capex each includes 50% share of Wind Tre's capex for illustrative purpose only.

Note 4: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

	UK		Italy ⁽⁸⁾	
	2017	2016	2017	2016
Total registered customer base (million)	12.6	11.4	29.5	31.3
Total active customer base (million)	10.1	9.2	26.6	28.6
Contract customers as a % of the total registered customer base	55%	56%	25%	23%
Contract customers' contribution to the net customer service margin (%) ⁽⁹⁾	87%	87%	32%	65%
Average monthly churn rate of the total contract registered customer base (%)	1.3%	1.4%	2.2%	2.4%
Active contract customers as a % of the total contract registered customer base	98%	98%	94%	95%
Active customers as a % of the total registered customer base	80%	80%	90%	91%
Full year data usage per active customer (Gigabyte)				

Note 8: 2017 key business indicators were calculated based on Wind Tre's figures and 2016 were calculated based on approximately ten months of 3 Italy's standalone figures from January to October 2016 and approximately two months of Wind Tre's figures from November to December 2016.

Sweden SEK		Denmark DKK		Austria EURO		Ireland EURO		3 Group Europe ⁽³⁾ HK\$	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
7,508 +4%	7,221	2,246 +6%	2,127	812 +5%	772	603 -8%	655	70,734 +13%	62,415
4,868 -	4,854	1,936 +1%	1,913	655 +5%	624	465 -8%	504	56,002 +17%	47,877
2,396 244	2,047 320	126 184	86 128	120 37	125 23	74 64	81 70	11,295 3,437	11,446 3,092
4,149 -	4,149	1,613 +1%	1,591	553 +5%	529	401 -5%	420	46,756 +17%	40,121
85%	85%	83%	83%	84%	85%	86%	83%	84%	84%
124	139	135	82	22	20	43	44	1,646	1,632
(3,187)	(2,790)	(350)	(311)	(159)	(166)	(118)	(122)	(16,296)	(17,354)
2,396	2,047	126	86	120	125	74	81	11,295	11,446
(791)	(743)	(224)	(225)	(39)	(41)	(44)	(41)	(5,001)	(5,908)
(1,332) 32%	(1,429) 34%	(716) 44%	(705) 44%	(194) 35%	(166) 31%	(231) 58%	(235) 56%	(19,064) 41%	(16,901) 42%
2,150 +2%	2,116	808 +9%	743	342 -	342	169 -10%	188	24,337 +28%	18,944
42%	41%	38%	36%	49%	53%	32%	33%	41%	37%
(595)	(607)	(289)	(283)	(100)	(97)	(79)	(76)	(7,770)	(6,106)
1,555 +3%	1,509	519 +13%	460	242 -1%	245	90 -20%	112	16,567 +29%	12,838
						Local currency growth %		+27%	
(836)	(796)	(201)	(209)	(115)	(90)	(109)	(103)	(13,211)	
1,314	1,320	607	534	227	252	60	85	11,126	
-	(100)	-	(292)	-	-	(19)	-	(197)	

Note 5: EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

Note 6: Excluding 3 UK's acquisition of UKB for £300 million in May 2017 and 3 Austria's acquisition of Tele2 for €100 million in November 2017.

Note 7: 2017 licence cost for UK represents incidental costs to acquire licence whereas the cost for Ireland relates to investment for 3.6 GHz licence. Licence costs for Sweden and Denmark in 2016 represent investment for 2 x 5 MHz and 2 x 30 MHz (both in 1800 MHz band) respectively.

Sweden		Denmark		Austria		Ireland		3 Group Europe	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
2.0	2.1	1.3	1.2	3.6	3.8	3.2	3.0	52.3	52.8
1.9	2.0	1.3	1.2	2.9	2.9	2.1	2.1	44.8	46.0
82%	86%	61%	64%	69%	66%	38%	40%	39%	37%
93%	94%	74%	75%	91%	91%	64%	67%	66%	79%
2.0%	1.7%	2.2%	2.2%	0.2%	0.2%	1.9%	1.5%	1.6%	1.6%
100%	100%	100%	100%	100%	100%	98%	98%	97%	98%
96%	96%	97%	97%	80%	78%	64%	69%	86%	87%
								53.8	51.0

Note 9: 3 Group Europe contract customers' contribution to net customer service margin in 2017 was calculated based on 50% contribution from Wind Tre, whereas the ratio for 2016 was calculated based on approximately ten months of 3 Italy's standalone figures from January to October 2016 and approximately two months of Wind Tre's figures from November to December 2016.

Key Business Indicators

	Registered Customer Base					
	Registered Customers at 31 December 2017 ('000)			Registered Customer Growth (%) from 31 December 2016 to 31 December 2017		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	5,664	6,946	12,610	+14%	+8%	+11%
Italy ⁽¹¹⁾	22,273	7,267	29,540	-8%	+3%	-6%
Sweden	356	1,630	1,986	+22%	-8%	-4%
Denmark	512	799	1,311	+14%	+2%	+6%
Austria	1,123	2,513	3,636	-12%	–	-4%
Ireland	1,997	1,199	3,196	+12%	-1%	+7%
3 Group Europe Total	31,925	20,354	52,279	-3%	+3%	-1%

	Active ⁽¹⁰⁾ Customer Base					
	Active Customers at 31 December 2017 ('000)			Active Customer Growth (%) from 31 December 2016 to 31 December 2017		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	3,247	6,823	10,070	+14%	+8%	+10%
Italy ⁽¹¹⁾	19,722	6,848	26,570	-10%	+1%	-7%
Sweden	274	1,630	1,904	+29%	-8%	-4%
Denmark	475	799	1,274	+15%	+2%	+6%
Austria	396	2,507	2,903	-9%	–	-1%
Ireland	878	1,177	2,055	-1%	–	-1%
3 Group Europe Total	24,992	19,784	44,776	-6%	+2%	-3%

Note 10: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 11: Italy's customer base as at 31 December 2017 was calculated based on 100% of Wind Tre.

**12-month Trailing Average Revenue per Active User ⁽¹²⁾ ("ARPU")
to 31 December 2017**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2016
United Kingdom	£5.32	£24.61	£18.07	-6%
Italy ⁽¹⁵⁾	€11.51	€15.67	€12.55	-5%
Sweden	SEK125.30	SEK323.60	SEK298.50	+3%
Denmark	DKK93.94	DKK164.84	DKK139.13	-4%
Austria	€10.72	€23.48	€21.68	+5%
Ireland	€15.60	€26.38	€21.73	-7%
3 Group Europe Average ⁽¹⁶⁾	€10.60	€24.92	€17.87	-7%

**12-month Trailing Net Average Revenue per Active User ⁽¹³⁾ ("Net ARPU")
to 31 December 2017**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2016
United Kingdom	£5.32	£18.15	£13.80	-5%
Italy ⁽¹⁵⁾	€11.51	€15.67	€12.55	-5%
Sweden	SEK125.30	SEK220.25	SEK208.24	+2%
Denmark	DKK93.94	DKK150.61	DKK130.06	-4%
Austria	€10.72	€19.70	€18.43	+3%
Ireland	€15.60	€21.46	€18.93	-8%
3 Group Europe Average ⁽¹⁶⁾	€10.60	€19.75	€15.25	-7%

**12-month Trailing Net Average Margin per Active User ⁽¹⁴⁾ ("Net AMPU")
to 31 December 2017**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2016
United Kingdom	£4.64	£15.83	£12.04	-6%
Italy ⁽¹⁵⁾	€9.50	€13.30	€10.45	-2%
Sweden	SEK105.07	SEK187.89	SEK177.41	+2%
Denmark	DKK78.18	DKK125.43	DKK108.30	-3%
Austria	€9.45	€16.64	€15.63	+3%
Ireland	€13.56	€18.44	€16.34	-5%
3 Group Europe Average ⁽¹⁶⁾	€8.88	€16.96	€12.98	-6%

Note 12: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 13: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 14: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

Note 15: Italy's ARPU, Net ARPU and Net AMPU for 2017 were calculated based on Wind Tre's figures and for 2016 were calculated based on approximately ten months (January to October 2016) of 3 Italy's standalone figures and approximately two months (November to December 2016) of Wind Tre's figures.

Note 16: 3 Group Europe ARPU, Net ARPU and Net AMPU in 2017 were calculated based on 50% contribution from Wind Tre.

Operations Review – Telecommunications

United Kingdom

EBITDA decreased by 2% compared to 2016 mainly due to higher operating expenses due to network and IT infrastructure transformation program. This resulted in implementation and development costs, as well as dual system running costs. The adverse variance was partly offset by higher margin contribution from an enlarged customer base, as well as improvement in wholesale business. The 12% decrease in EBIT was due to additional depreciation on a higher asset base and accelerated depreciation charges on certain network assets.

Italy

In Italy, EBITDA and EBIT grew by 126% and 150% respectively over 2016, reflecting the full year accretive contribution from the merger of Wind Tre as well as synergy realisation during the year.

Wind Tre is the largest mobile operator in Italy with approximately 29.5 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2017. Wind Tre's mobile active customer base decreased 7% when compared to 2016 mainly due to the alignment of inactive customer definitions following the merger and intense competition during the year for lower value customers. Encouragingly, Wind Tre's customer base was more stable in the fourth quarter of 2017.

Wind Tre announced total revenue and EBITDA decline 5% and 8% to €6,182 million and €1,945 million respectively, and EBIT increased by 20% to €1,414 million for 2017 when compared to the pro forma combined results for the full year 2016 (which assumed the formation of the joint venture was effective on 1 January 2016.)

The results of the telecommunications businesses in Italy included in the Group's consolidated income statement for the year ended 31 December 2017 represented the Group's 50% share of Wind Tre's results, whereas the results for 2016 represented approximately ten months results of 3 Italy and its subsidiaries prior to the formation of the joint venture that was completed on 5 November 2016 and the Group's 50% share of approximately two months results of Wind Tre post completion. In addition, upon formation of the joint venture, the accounting standards require the Group to account for the joint venture's assets and liabilities at fair value. Accordingly, adjustments to the results of the telecommunications businesses in Italy have been made when the Group's 50% interest in the joint venture is incorporated into the Group's consolidated results.

Sweden

Sweden, where the Group has a 60% interest, reported a 2% and 3% growth in EBITDA and EBIT respectively, primarily driven by lower operating cost as certain one-off staff incentive payments in 2016 that did not recur in 2017. Net customer service margin was flat against last year as the 2% increase in both net ARPU and net AMPU were fully offset by 4% decrease in active customer base from deactivating and clean up of multi-SIM customers.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported a 1% increase in net customer service margin, primarily driven by 6% growth in active customer base partly offset by 3% decrease in net AMPU as VAT reclaim was not recognised from August 2017 onwards. The 9% and 13% growth in EBITDA and EBIT respectively reflected higher wholesale contribution and implementation of cost controls measures.

Austria

EBITDA remained stable compared to 2016 at €342 million, mainly due to higher net customer service margin driven by the improved net AMPU, fully offset by increased operating expenses mainly from integration of the newly acquired Tele2 operations. EBIT marginally decreased by 1% to €242 million in 2017 as a result of higher depreciation and amortisation from network expansion.

Ireland

EBITDA and EBIT were 10% and 20% respectively lower than 2016 as a result of increase in voluntary churn in 2017 that follows the implementation of price changes on contract customers. The results reflect loss of revenue from churned customers as well as a write-off of receivables relating to them. 3 Ireland has stabilised its churn rate of contract customers, which lowered from 2.4% in the first half of 2017 to 1.9% for the year end. EBITDA and EBIT for the second half of 2017 improved by 19% and 43% respectively against the first half of 2017. 3 Ireland continues to realise synergies during the year and have fully achieved the target operating expense synergy run rate of €103 million.

Hutchison Telecommunications Hong Kong Holdings

	2017 HK\$ million	2016 HK\$ million	Change
Total Revenue	9,685	12,133	-20%
- Recurring operation	6,730	8,299	-19%
- Discontinued Fixed operation	2,955	3,834	-23%
EBITDA	4,337	2,607	+66%
- Recurring operation	1,314	1,346	-2%
- Discontinued Fixed operation	989	1,261	-22%
- Disposition gain	2,034	–	N/A
EBIT	707	1,055	-33%
- Recurring operation	445	569	-22%
- Discontinued Fixed operation	410	486	-16%
- Disposition gain and accelerated depreciation	(148)	–	N/A
Total active customer base ('000)	3,328	3,222	+3%

HTHKH announced 2017 profit attributable to shareholders of HK\$4,766 million, which includes the gain on disposal of its fixed-line telecommunication business of HK\$5,614 million, as well as accelerated depreciation charges, after tax and non-controlling interest, on certain mobile telecommunication fixed assets of HK\$1,391 million.

As the Group rebased HTHKH's assets to their fair values in the 2015 Reorganisation, the Group's 2017 reported EBITDA included a lower disposal gain of the fixed-line telecommunication business of HK\$2,034 million. Together with accelerated depreciation charges of HK\$2,182 million, this resulted in a net loss of HK\$148 million reported by the Group at EBIT level.

The lower total recurring revenue of HTHKH's mobile operation was primarily driven by the reduction in low margin handset sales in 2017. The lower recurring EBITDA was driven by a reduction in net customer service margin reflecting the decrease in net AMPU, which together with higher amortisation of licence fees for renewed and new spectrum licences applicable from October 2016, resulted in a 22% lower EBIT against 2016.

Hutchison Asia Telecommunications

	2017 HK\$ million	2016 HK\$ million	Change	Change in Local Currency
Total Revenue	7,695	8,200	-6%	-6%
EBITDA	558	2,298	-76%	-76%
EBIT	226	2,130	-89%	-90%
Total active customer base ('000)	74,959	77,369	-3%	

HAT had an active customer base of approximately 75.0 million at the end of 2017, with Indonesia representing 85% of the base. Total revenue decreased 6% to HK\$7,695 million, as the Indonesian operation was not able to offer competitive LTE price offerings until the launch of its LTE network in May 2017, while other incumbents offered aggressively-priced LTE services from the beginning of 2017. EBITDA and EBIT decreased to HK\$558 million and HK\$226 million respectively, 76% and 89% below 2016. The decline reflects both reduced service margin contribution and higher operating costs in Indonesia and Vietnam recognised after completion of the major network rollout and expansion initiatives in late 2016 and 2017 respectively.

Network rollout plans in Vietnam and Sri Lanka, as well as LTE network enhancement in Indonesia will continue in 2018. With efficient network utilisation and rollout strategies, the operations are expected to offer services at the most competitive prices in their respective markets.